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Incentives Monthly Monitoring Meeting

Meeting Minutes (April 2025 performance)

Date: 04/06/2025 **Location:** Teleconference **Meeting Number:** 76
Start: 14:00 **End:** 16:00

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Simon Targett (NESO)	Regrets	James Hill (Ofgem)	Attend
Phil Smith (NESO)	Attend	Luke McCartney (Ofgem)	Attend
Mark Robinson (NESO)	Attend	Matthew Fovargue (Ofgem)	Attend
David Dixon (NESO)	Attend	Adam Gilham (Ofgem)	Attend
Filippos Panagiotopoulos (NESO)	Attend	Adam Bunting (NESO)	Attend
Aaron Young (NESO)	Attend	Harsh Kapil (NESO)	Attend
James West (NESO)	Attend	John Walsh (NESO)	Attend
Nicolas Achury Beltran (NESO)	Attend	Laura Woolsey (NESO)	Attend
Joe Andrews (NESO)	Attend		

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Agenda

Ref	Title	Owner
1.	NESO to take questions on March Performance	NESO
2.	Balancing costs monthly update – Balancing Costs Team	NESO
3.	Forecasting monthly update – John Walsh	NESO
4.	Ofgem to give feedback on April report – content and structure	Ofgem
5.	NESO to highlight notable points from the published report	NESO
6.	NESO to take questions on the published report	NESO
7.	Ofgem to give feedback on NESO performance	Ofgem
8.	Review actions & AOB	All

Actions

Meeting No.	Action No.	Date raised	Target Date	Resp.	Description	Status
73	269	12/02/2025	28/02/2025	NESO	Check with the OBP team and provide more information on the OBP crash (21 st Dec) and any fixes implemented. <i>Update – We will address this at next month's meeting.</i>	Open
74	273	12/03/2025	31/03/2025	Ofgem	Review whether there is a more effective approach to the network availability graphs and forecasts. <i>Update – The OTF slides were updated to address questions regarding network availability. The new format includes a more forward-looking view, especially towards the end of the financial year. Action – Ofgem will review the</i>	Open

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					<i>updated slides and provide feedback.</i>	
75	274	09/04/2025	31/05/2025	NESO	NESO to investigate the specific reasons behind the change in the volume-weighted average of bids and provide more detailed insights.	Open
76	275	04/06/2025	30/06/2025	NESO	NESO to arrange trilateral meeting to discuss, including the points raised. OFGEM to send questions / comments to cover in advance.	Open
76	276	04/06/2025	30/06/2025	NESO	Add volume to the thermal / voltage / inertia cost graphs.	Open
76	277	04/06/2025	30/06/2025	NESO	Provide update on the impact of the low wind in April on short term outages on the B4/B5 boundary.	Open
76	278	04/06/2025	30/06/2025	NESO	Split out the FRCR savings between 140-130, 130-120 etc, and share the updated FRCR methodology.	Open
76	279	04/06/2025	30/06/2025	NESO	Confirm publication date for Balancing Costs Annual Report.	Open
76	280	04/06/2025	30/06/2025	NESO	Ofgem/NESO both consider discussion on upcoming improvements and the impact on market efficiency etc.	Open
76	281	04/06/2025	30/06/2025	NESO	Investigate reasons for azure-PEF line performing well on 29/30 th April	Open
76	282	04/06/2025	30/06/2025	NESO	NESO to follow up on Ofgem's request that the skip rates reported metrics includes the other stages as well as PSA5.	Open
76	283	04/06/2025	30/06/2025	NESO	NESO to arrange a separate session to discuss carbon	Closed

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intensity reporting. **Update:**
Session arranged for 11 June.

Discussion and Questions

1. NESO to take questions on March Performance

We asked for any questions from Ofgem on March's performance due to no meeting taking place last month to cover it. There were no questions but Ofgem indicated that they would share questions as part of the End-Scheme evaluation shortly.

2. Balancing costs monthly update – Balancing Costs Team

April's balancing costs: The Balancing Costs Team talked through the drivers of April's balancing costs.

Area/Question/Feedback	NESO Response
<p>Benchmark: We are happy that the BP2 tramlines are not shown, but would still like to see some discussion of how far NESO performance is from the benchmark and why. This could be with or without tramlines.</p> <p>If NESO plans to change the benchmark, we would need to have a discussion and also consider how we communicate the reason for the change, and make it clear that it's not part of the determinations process.</p>	<p>We'll continue to explain variance from benchmark, but won't refer to 'below, meeting or exceeding' to avoid confusion with the old framework.</p> <p>We're also looking at calculating a new benchmark.</p>
<p>April's low demand: How much is the low April transmission system demand being fed through to decision making in NESO?</p> <p>Is there an impact from how inaccurate demand forecasting has been in the last month?</p> <p>What is NESO doing to prepare for similar situations when they occur in the future?</p> <p>Does NESO do any analysis on the steepness of the rise to the evening peak and does it cause any operability issues?</p>	<p>The low demand was predicted by our operability team in December/January and there have been ongoing discussions internally. The low demand days tend to be low cost days.</p> <p>ACTION: NESO to arrange trilateral meeting to discuss, including the points raised. OFGEM to send questions / comments to cover in advance.</p>

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Thermal / voltage / inertia cost graphs: Would it be possible to add a volume line?	Yes we'll make that change next month. ACTION: Add volume to the thermal / voltage / inertia cost graphs.
Low wind impact on outages: there was a sustained period of low wind this month. What impact has it had on short term outages? Surprised to see actuals above the forecast on B4/B5 this month.	We will talk to the NAP team and come back with an update. ACTION: Provide update on the impact of the low wind in April on short term outages on the B4/B5 boundary.
FRCR savings: On the balancing cost savings vs projections slide (slide 28), can you split out the FRCR savings between 140-130, 130-120 etc? Can you also share the updated FRCR methodology	Yes we'll make that change next month. ACTION: Split out the FRCR savings between 140-130, 130-120 etc, and share the updated FRCR methodology.
CMIS: CMIS isn't showing any savings. Does this incur a cost, or is a cost only incurred when you arm CMIS?	There is a very small contract payment, plus the arming fee when applicable. When it is negative we do include that in the reporting, so its reflected in the overall savings.
When are you going to publish the Balancing Costs Annual Report?	It is currently with our corporate affairs team but we're planning to publish soon. We will confirm when we have a date. ACTION: Confirm publication date for Balancing Costs Annual Report.

3. Forecasting Monthly Update – John Walsh

John Walsh team provided an update on Demand and Wind forecasting.

Area/Question/Feedback	NESO Response
Is the Final Duty Forecast released to the market as well as the control room?	Yes.
Impact of model improvements: In terms of the error distribution graph, where are your improvements targeted? Worth having a session to discuss the improvements and impact on market efficiency. Graphs are very useful initial look	We have some model improvements we want to address late in the year e.g. accounting for wind speed direction, the potential use of telemetry data, or PN market data once we've proved that they're an improvement on NESO forecast under certain conditions.

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	ACTION: Ofgem/NESO both consider discussion on upcoming improvements and the impact on market efficiency etc.
Solar model validation: Why did azure-PEF line perform well on 29 th and 30 th April compared to the rest of the month?	Not yet. We will look into and let you know what we conclude. ACTION: Investigate reasons for azure-PEF line performing well on 29/30 th April
Solar forecasting: Outside of model improvements, what data could improve solar forecasting? Is there anything we can help you with from the regulatory side.	Solar forecasting is difficult because it's the least mature renewable energy forecast. Even the established weather providers are not set up to produce great weather forecasts for solar. Traditionally they're used to reporting on poor weather, or weather that's mainly required by the airline industry. We're working on it with them. There's no quick fix and the solutions are likely to involve engineering our own data based on trends, and improvements are likely to be small and incremental.

4. Ofgem to give feedback on April report – content and structure

NESO invited questions and feedback on the first published report from Ofgem on BP3. This was in terms of content and structure of the new BP3 report.

Area/Question/Feedback	NESO Response
Skip rates: The first monthly report only covered the PSA5 stage. Ofgem would like to see the other stages as well to give a fuller picture.	ACTION: NESO to follow up on this point
Carbon intensity: Can you confirm we will see both the new and old methodologies reported? We are expecting you to continue to publish the BP2 number, as part of the RII0-2 target. But we recognise the benefit of reporting the CP30 number.	ACTION: NESO to arrange a separate session to discuss carbon intensity reporting. <session arranged for 11 June>
Notable events: We were disappointed that the notable events section is no longer included.	We highlighted the change on notable events in the report introduction.

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We're also thinking about the new monthly BPR walkthrough session. Once up and running we will look more at how it interacts with these sessions. We are planning to pilot it in the next few weeks and then think about how it works going forward.

5. NESO to highlight notable points from the published report

Reported Metrics from the latest month were shared. No specific questions were asked.

6. NESO to take questions on the published report

NESO invited questions and feedback on the published report from Ofgem. No questions or feedback on the report specifically were asked/given.

Area/Question/Feedback	NESO Response
None	

7. Ofgem to give feedback on NESO Performance

NESO invited questions and feedback on NESO's performance from Ofgem, or any general feedback they would like to provide. Feedback provided will be passed on to relevant teams. We also confirmed that feedback provided in the previous meeting has been shared.

8. Review actions & AOB

Previous actions were discussed and updates for them can be found above at the start of the minutes. Meeting then moved on to AOB.

- **BP2 end-scheme process update**
 - Ofgem are preparing the first set of questions and will share them with NESO in the next few days.

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Previously Closed Actions

Meeting No.	Action No.	Date raised	Target Date	Resp.	Description	Status
73	266	12/02/2025	28/02/2025	NESO	<p>Provide more detailed information on the savings from these specific trading actions (3rd/11th December) compared to real-time actions.</p> <p>Update – James West provided the following update:</p> <p>Overall, the saving on 3rd December was £11.5m which was about 45% of the total month's trading savings. This was due to 1. Large volume of IC bi-trades taken between about 11am on 3rd and 2am the next day for upwards margin, reaching a peak of about 5.5GW. There was also a CMN on the day – this is referred to in the commentary on the December report.</p> <p>11th trading savings were £2.1m, still one of the highest savings across the month. Again this was done for margin across the interconnectors. We had a trading spend of £8.m which is the highest in the month, again due to trading across the day with high prices due to the alternative action being offering on CCGTs which had higher prices.</p>	Closed
73	267	12/02/2025	28/02/2025	NESO	<p>Provide more detailed information on £0 offers, especially those related to interconnectors instead of wind farms.</p> <p>Update – At the OTF in July there was a similar question, the</p>	Closed

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					<i>response answers this action. We will share it shortly <response shared by email on 4 June></i>	
73	268	12/02/2025	28/02/2025	NESO	NESO to check with the work group and gain an update on behavioural changes related to the economic pricing for wind curtailment, as discussed in the email sent to the wind advisory group.	Closed
					<i>Update – There is a trilateral session tomorrow (5 June) which should address this action.</i>	
75	274	09/04/2025	31/05/2025	NESO	NESO to investigate the specific reasons behind the change in the volume-weighted average of bids and provide more detailed insights. <i>Update – Reason is due to how we were calculating the value. It used to be based on system costs but changed to action cost – so we need to make sure we're being consistent. This doesn't reflect anything happening in the system</i>	Closed